**REDD+ finance should be public, include “non-carbon” benefits, says South
Bangkok, 31 August (Hilary Chiew)**

Developing countries continue to
stress that forest-related activities under the UN Framework
Convention on Climate Change (UNFCCC) must primarily be publicly
funded, with many expressing doubts over market-based approaches.

A significant number of developing countries also called for
non-carbon benefits of forests to be included for financing under the
proposed forest-related emission reduction mechanism and a departure
from the emphasis placed on the carbon market as a source.

At the one-day workshop on 30 August on financing options for the full
implementation of results-based actions relating to REDD+, including
modalities and procedures for financing these results-based actions,
those developing country Parties argued that financing for Reducing
Emissions from Deforestation and Forest Degradation (REDD); actions on
conservation of forest carbon stocks, sustainable management of
forests and enhancement of forest carbon stocks should lead to the
recognition of the full range of forest functions.

(REDD+ includes Reducing Emissions from Deforestation and Forest
Degradation in Developing Countries; and the role of Conservation,
Sustainable Management of Forests and Enhancement of Forest Carbon
Stocks.)

They said payment for non-carbon benefits of REDD+ actions are
essential to the integral management of forests and is the basis to
promote public funding and to further develop the non-market based
approach.

Sudan speaking on behalf of the Least Developed Countries (LDC) said
LDCs considered public funding to be the major source of funding and
viewed financing through private sector as a complementary source.

It said public fund is the most clearly established type of funding
source, can ensure adequacy and delivering co-benefits, and ensure
that benefits are distributed equitably among all developing
countries.

It said in LDCs where more than 70% of its population or 580 million
people depend on rural livelihood system where forests provides
energy, food, livestock fodder, and a host of other environmental
services, REDD+ actions should provide opportunity for poverty
reduction and improving livelihood.

It further said the principles behind financing results-based actions
should include additionality, adequacy, equal distribution,
predictability and sustainability in addition to accommodating the
different national capabilities and circumstances.

Rejecting the market-based proposal, it said LDCs disagree with
transferring developed countries commitment to developing countries,
referring to the offset element of a carbon market where countries
with emission reduction targets can offset their commitment with
credits from mitigation efforts in developing countries.

It said LDCs believed that REDD+ is best addressed under the
development context rather than market-based, adding that LDCs do not
have the capacity to access market-based funding for REDD+.

Citing the weaknesses of the offset mechanism under the UNFCCC’s Clean
Development Mechanism (CDM), it dismissed the effectiveness of such
approach as illustrated by the failure of afforestation and
reforestation under the CDM where procedures to access funds were
difficult, costly and lengthy.

It warned that market-based finance will result in overlooking of the
“low carbon credit’’ REDD+ activities such as biodiversity
conservation and protection of natural forests with low greenhouse gas
mitigation potential, and that the protection of existing high carbon
stock forests does not always lead to the protection of the
biodiversity.

It also pointed out that there is no comprehensive attempt to quantify
risks for national REDD+ actions, despite these being long term
investments, from the socio-economic, environmental integrity and
potential perverse outcome such as incentivising monoculture
plantation with low biodiversity value.

Bolivia reminded Parties of paragraph 67 of  Decision 2/CP.17 which
was supported by a significant number of countries at the UNFCCC
conference last November in Durban.

Paragraph 67 reads: Notes that non-market-based approaches, such as
joint mitigation and adaptation approaches for the integral and
sustainable management of forests as a non-market alternative that
supports and strengthens governance, the application of safeguards as
referred to in decision 1/CP.16, appendix I, paragraph 2(c-d), and the
multiple functions of forests, could be developed;

It said at the core of the non-market based approaches is the joint
mitigation and adaptation approach which also recognises the
non-carbon benefits of forests and provides for the promotion of
public funding.

It added that joint mitigation and adaptation goes beyond REDD+
actions and is based on a second generation theory of collective
actions, adding that the market-based approach does not take drivers
of deforestation seriously, where the private sector can participate
as both buyers and sellers of forest carbon.

Papua New Guinea said there are so many expectations on REDD+ actions
but it is time to get moving and not to miss Doha (the venue of the
18th meeting of the Conference of Parties to the UNFCCC) and urged
Parties to begin by incentivising on the agreed REDD+ activities.

Guyanasaid it recognises that forests offer both carbon and non-carbon
services and that the value of the latter far exceeds the former. It
welcomes the discussion but reminded Parties that the purpose of the
workshop is to allow Parties to get to a decision at Doha.

It said the REDD+ issue is already matured and discussion on
non-carbon benefits can be discussed post-Doha.

Indonesia said non-carbon benefits of forests are of a different
nature and serve different demands but is concerned that lumping all
of them in one single payment system might be over-simplying and
render them ineffective.

In response to the European Union (see below) that addressing
safeguards will give a premium to the carbon credit generated, it
maintained that safeguards are to uphold environmental and social
integrity and cautioned against a race to the bottom if there is a
differentiation in the payment for REDD+ activities.

The European Union said the private sector plays an important role not
only in terms of finance but it is also the key solution for REDD+
actions as drivers of deforestation, especially in terms of investment
in sustainable land use.  It said the United States’ presentation on
ideas for private sector investment outside of carbon markets would be
useful to explore.

Earlier in Session One of the workshop, the United States said public
financing is finite especially given the current financial crisis and
suggested the use of other forms of market besides carbon market, such
as financial and commodity markets.

It said the financial tools would cover providing capital and reducing
risks. The former could consist of grants, loans, debt swaps, bonds,
equity and tax concession to purchase the output of REDD+ actions in
the forms of credits, forwards, put options, call options and reverse
auctions. It further said this would incentivise investors and
producers by insuring against or minimising risks, thus ensuring
environmental integrity.

Norway said one of the key enabling considerations for finance is
putting a price on forest carbon without which countries would not
have incentives in place to make the needed reform, adding that a
REDD+ mechanism cannot wait until 2020 and progress must be made in
Doha.

China said it agreed to a certain extent that public funding is
limited but so are private sources, and called for developed countries
to change their domestic policies to incentivise the participation of
the private sector.

Towards this end, Brazil, Guyana, Papua New Guinea, Indonesia, India
and the Democratic Republic of Congo urged developed countries to
increase their emissions reduction ambition in order to create room
for the private sector to participate. Climate legislation and a
realistic price of carbon are keys to incentivise the private sector.

Indonesia said Parties need to learn from past experiences in the CDM
to address the issue of geographical distribution of projects.

The Dominican Republic said the private sector can play its role but
it should not replace the obligation for public funding from Annex 1
countries especially now that the carbon prices are proven to be
unattractive.

The Philippines stressed that social and environmental safeguards are
conditions needed to attract private sector investors in REDD+
activities. It also pointed out that there should be clear
institutional mechanism on the entity to receive REDD+ finance, and
learning from past lessons of forestry governance and the distribution
of REDD+ benefits must include the communities.

Earlier, it also questioned the notion of the role of market
mechanisms in mitigation as a funding source, and the depth of
discussion on the overall obligation of developed countries in
providing finance for forested-related emission reduction mechanism.

Parties spent the afternoon session of the workshop deliberating on
three thematic areas - financing options, sources and enabling
considerations; role of private sector; and the framework for
financing the full implementation of results-based REDD+ actions.

Chair Yaw Osafo of Ghana summed up the key points on each thematic areas.

In response, the United States said it disagreed that public funds
should be the main source while Sudan representing the LDCs asserted
that without recognition of non-carbon benefits, REDD+ risked
commercialising the forests along the line of CDM and it would compel
Parties to redefine safeguards.

Bolivia speaking on behalf of the ALBA countries said it would also
like to see the joint mitigation and adaptation approach included as
part of the non-market based mechanism discussion.

Yaw acknowledged the concerns and said with the help of the
secretariat, a short summary will be prepared to serve as a starting
point for Parties’ consideration in the REDD+ informal group meetings
during this week in Bangkok, without prejudging the final outcome (in
Doha)